

foreign bills payable to bearer, without interest, of a value below ten thalers. Saxony took similar action on July 8, 1855, <sup>anc</sup> ^ <sup>ne</sup> small states of Thuringia concluded a convention January 21, 1856, by which they forbade the circulation of foreign bills to bearer without interest and below ten thalers in denomination, with the exception of the bank drafts of Prussia and Saxony. The Grand Duchy of Baden forbade the circulation of any foreign bills on December 24, 1855, except those issued in Prussia, Bavaria, and Nassau and at Frankfurt. Prussia extended the scope of her prohibition on May 25, 1857, to all foreign bills except those below ten thalers issued by the governments of Saxony, Thuringia, and Anhalt. A Saxon ordinance of May 18, 1857, imposed a fine of fifty thalers upon the holders of foreign bills below the denomination of ten thalers except upon banks of issue which carried on a special service of exchange.<sup>1</sup>

The history of the circulation of these state bills outside of the limits of the issuing state suggests an interesting comparison with the circulation of the notes of the departmental banks of France and of the State banks of the United States. The banks were not in any of these cases closely linked together by clearing arrangements and the means of communication and the promptness of commercial transactions were not such as to result in the prompt return of the notes to the issuing banks for redemption. It does not appear that this resulted in a great inflation of the note issues, even in the United States,<sup>3</sup> but it naturally aroused fears that the banks might not be able to redeem their notes promptly on presentation and that they might fall below par

<sup>1</sup> Noel, L, 288.

<sup>s</sup> M. Wolowski, who is one of the warmest champions of monopoly of note issues, speaking of the situation in 1863, says: \*' Twenty banks issuing 45,000,000 thalers (\$33,000,000) for thirty-two states whose population exceeded thirteen millions, is not too much as to quantity; it is too much because of the embarrassment which is caused by this diversity of monetary signs.'\*—La Question des Banques, 404.